

Message Text

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ACTION IO-14

INFO OCT-01 AF-10 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
SS-15 ICA-11 ARA-10 EA-10 NEA-11 EB-08 OMB-01
COME-00 TRSE-00 STR-07 HA-05 /142 W
-----035629 122155Z /61

R 122140Z JUN 78
FM USMISSION USUN NEW YORK
TO SECSTATE WASHDC 1962
INFO AMEMBASSY BONN
AMCONSUL CAPE TOWN
AMEMBASSY DAR ES SALAAM
AMEMBASSY GABORONE
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY LUSAKA
AMEMBASSY MAPUTO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY PRETORIA

C O N F I D E N T I A L SECTION 01 OF 02 USUN NEW YORK 02407

CAPE TOWN FOR EMBASSY

E.O. 11652:GDS
TAGS: EINV, ETRD
SUBJECT: A USG CODE OF CONDUCT FOR US INVESTORS IN
SOUTH AFRICA

REF: USUN 01195

1. U.S. DELEGATES TO NEGOTIATIONS SUCH AS THE RECENTLY
CONCLUDED 4TH COMMISSION ON TRANSNATIONAL CORPORATIONS IN
VIENNA HAVE REPEATEDLY STRESSED THAT THE U.S. IS READY
AND WILLING TO DISCUSS THE ISSUE OF FOREIGN INVESTMENT
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IN SOUTH AFRICA, AND THAT WE WELCOME THE OPPORTUNITY TO
DEFEND THE BEHAVIOR OF OUR INVESTMENTS THERE. ON SUBSTANCE
WE HAVE ASSERTED THAT U.S. INVESTMENT CAN BE A FORCE FOR
POSITIVE CHANGE IN SOUTH AFRICA. WE HAVE APPLAUDED THE
EFFORTS OF THE EUROPEAN ECONOMIC COMMUNITY IN DEVELOPING
A COMMON CODE OF CONDUCT FOR EEC FIRMS OPERATING IN
SOUTH AFRICA, ADDING THAT SUCH EFFORTS ARE AN IMPORTANT

MEANS OF MAINTAINING CONTINUING PRESSURE ON SOUTH AFRICA
TO MODIFY ITS APARTHEID POLICIES.

2. THE MOOD AND EVENTS OF THE RECENT VIENNA TALKS, AND THE
ATTITUDES OF AFRICANS IN NEW YORK, HEIGHTEN MISSION'S
CONCERN THAT RHETORIC ON INVESTMENTS AS A POSITIVE FORCE
FOR CHANGE IS BEING REGARDED BY AFRICANS AS INCREASINGLY
EMPTY, IF NOT DOWNRIGHT HYPOCRITICAL. WE ARE FAULTED FOR
OUR CONTINUING FAILURE TO LEND OFFICIAL SUPPORT TO A USG
CODE OF CONDUCT ON THE ENLIGHTENED EMPLOYMENT PRACTICES
WHOSE SUPPOSED IMPLEMENTATION BY U.S. FIRMS REMAINS A
CENTRAL ARGUMENT FOR CONTINUED AMERICAN ECONOMIC PRESENCE
IN SOUTH AFRICA.

3. THE U.S. REMAINS ONE OF THE ONLY COUNTRIES WITH
SUBSTANTIAL INVESTMENTS IN THE SOUTH AFRICAN ECONOMY WHOSE
GOVERNMENT HAS NOT YET ADOPTED A CODE OF CONDUCT FOR FIRMS
OPERATING THERE. THE ONLY ORGANIZED EFFORT TO ESTABLISH
GUIDELINES FOR U.S. FIRMS IN SOUTH AFRICA IS THAT OF
REVEREND LEON SULLIVAN'S CODE. IN FACT, LESS THAN 1/4 OF
THE 350 OR SO AMERICAN FIRMS IN SOUTH AFRICA HAVE SUB-
SCRIBED TO THIS SOLE INITIATIVE. OUR CLAIM THAT THE
SULLIVAN CODE, WITH ITS RELATIVELY NARROW SCOPE, LIMITED
SUBSCRIPTION BY U.S. FIRMS, AND UNOFFICIAL
CHARACTER ACTUALLY HELPS TO IMPROVE PRACTICES OF U.S. FIRMS
LACKS CREDIBILITY.
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4. IT IS BECOMING INCREASINGLY DIFFICULT TO MAINTAIN
OVER AND OVER THAT THE U.S. APPRECIATES ENLIGHTENED
RACIAL PRACTICES OF AMERICAN FIRMS IN SOUTH AFRICA, BUT
WILL NOT OFFICIALLY ENCOURAGE SUCH PRACTICES. WHAT IS
REQUIRED IS A USG COMMITMENT TO OFFICIALLY ENCOURAGE
AMERICAN INVESTMENT TO TAKE ACTIONS WHICH WE HAVE UP TILL
NOW ONLY UNOFFICIALLY SUPPORTED. THIS COMMITMENT
COULD TAKE A VARIETY OF FORMS. WE COULD, FOR EXAMPLE,
JOIN THE EUROPEAN ECONOMIC COMMUNITY CODE OF CONDUCT,
OFFICIALLY ADOPT THE SULLIVAN CODE, OR COME UP WITH OUR
OWN CODE. WHETHER THE END RESULT WOULD TAKE THE FORM OF A
MANDATORY CODE OF CONDUCT OR A HORTATORY CODE OR A
VOLUNTARY CODE WITH MANDATORY REPORTING REQUIREMENTS ALONG
THE LINES OF THE EEC CODE IS IN THE MISSION'S VIEW NOT
THE ESSENTIAL POINT. RATHER, THE U.S. GOVERNMENT NEEDS
TO LAY DOWN IN VERY EXPLICIT, STEP-BY-STEP TERMS NOT
JUST WHY APARTHEID IS WRONG, BUT EXACTLY WHAT WE CONSIDER
THE ROLE OF AMERICAN FOREIGN INVESTMENT IS IN PROMOTING
RACIAL EQUALITY IN SOUTH AFRICA. OUR CONTINUING FAILURE
TO DO SO WILL ONLY, (1) FURTHER DIMINISH THE CREDIBILITY
OF OUR ARGUMENT THAT U.S. INVESTMENT SHOULD STAY IN

SOUTH AFRICA AS A POSITIVE CHANGE AGENT AND (2) INCREASE PRESSURES AGAINST ITS GROWTH -- OR FOR ITS REMOVAL.

5. AN OFFICIAL USG CODE OF CONDUCT WILL NOT REMOVE AFRICAN PRESSURES ASSOCIATED WITH OUR INVESTMENT IN SOUTH AFRICA. IT WOULD, HOWEVER, PROVIDE NEEDED CONCRETE SUPPORT FOR OUR POLICY ON INVESTMENTS. IT WOULD ILLUSTRATE FORWARD MOMENTUM IN THE STRATEGIES AGAINST APARTHEID WE PROFESSED TO THE WORLD A YEAR AGO. IT WOULD BE RECOGNIZED AS A POSITIVE STEP BY THE G-77. (IN A RECENT RESOLUTION THE G-77 COMMENDED CODES BY THE EEC AND OTHERS AS A VALUABLE FIRST STEP.) IT WOULD ALSO HELP US IN UN NEGOTIATIONS WHICH DEAL WITH THE SUBJECT OF INVESTMENT

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-----035633 122157Z /63

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FM USMISSION USUN NEW YORK
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INFO AMEMBASSY BONN
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C O N F I D E N T I A L SECTION 02 OF 02 USUN NEW YORK 02407

CAPE TOWN FOR EMBASSY

IN SOUTH AFRICA. FOR EXAMPLE, IN THE CORRUPT PRACTICES NEGOTIATIONS, A SERIOUS ATTEMPT TO DEAL WITH THE QUESTION COULD HELP US FINALLY GET THE PLENIPOTENTIARY CONFERENCE NECESSARY IN ORDER TO SECURE AN

AGREEMENT.

6. MISSION ACKNOWLEDGES THAT THERE MAY BE ARGUMENTS AGAINST A USG CODE OF CONDUCT NOT KNOWN TO US. WE SUGGEST ONLY THAT SUCH ARGUMENTS BE RE-EXAMINED IN DETAIL, IN LIGHT OF THE SIGNIFICANT POLITICAL PRICE WE ARE PAYING BY OUR FAILURE TO ACT. TIME IS OF THE ESSENCE, SINCE WE
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FACE CORRUPT PRACTICES NEGOTIATIONS THIS MONTH, ECOSOC IN JULY, CODE OF CONDUCT NEGOTIATIONS IN AUGUST AND, OF COURSE, THE 33RD UNGA IN THE FALL.

7. AS A FIRST TACTICAL STEP WE SUGGEST THAT THE DEPARTMENT CONVENE AN INTERAGENCY MEETING TO DETERMINE INITIAL STEPS TOWARD DEVELOPMENT OF A CODE OF CONDUCT. AS A SECOND STEP, STATE SHOULD MEET WITH REPRESENTATIVES OF SOME OF THE MAJOR AMERICAN BUSINESS OPERATING IN SOUTH AFRICA IN ORDER TO SOLICIT FROM THEM IDEAS ON CREATION OF AN EFFECTIVE CODE OF CONDUCT. A MEETING OF THIS SORT WOULD NOT ONLY OFFER THE BUSINESS COMMUNITY AN OPPORTUNITY TO ADD CONSTRUCTIVE SUGGESTIONS ROOTED IN PRACTICAL EXPERIENCE, BUT IT WOULD ALSO SERVE TO ILLUSTRATE INCREASING OFFICIAL CONCERN WITH THE ACTIONS OF U.S. COMPANIES DOING BUSINESS IN SOUTH AFRICA. YOUNG

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTORS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 12 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978USUNN02407
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780245-0861
Format: TEL
From: USUN NEW YORK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780668/aaaacgij.tel
Line Count: 199
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3338d18a-c288-dd11-92da-001cc4696bcc
Office: ACTION IO
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 USUN NEW YORK 1195
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2382713
Secure: OPEN
Status: NATIVE
Subject: A USG CODE OF CONDUCT FOR US INVESTORS IN SOUTH AFRICA
TAGS: EINV, ETRD, US, SF
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3338d18a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014